LOK SABHA

Friday, 22 November 1991/Agrahayana 1,1913 (Saka)

The Lok Sabha met at Eleven of the Colck

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

[*English*]

Measures to Curb Economic Crimes

*21. SHRI RAMASHRAY PRASAD SINGH : Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state :

(a) whether the Union Government are contemplating to bring forward legislation to make radical changes in the Companies Act, 1956 and the Foreign Exchange Regulation Act, 1973 for curbing economic crimes; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI RANGARAJAN KUMARAMANGALAM): (a) and (b). It has been decided to introduce a Bill in the Parliament to recodify the Companies Act, 1956. The general approach of Government in making changes in Company Law is to provide for investor protection, rationalisation and streamlining of the provisions of the Act and for better management of companies.

Minister of Finance have informed that a review of the Foreign Exchange Regulation Act, 1973 is under consideration of the Government.

[*Translation*]

SHRI RAMASHRAY PRASAD SINGH: Mr. Speaker, Sir, since the Directorate of Inspection conducts inspection of the accounts of less than three per cent of the companies, I would like to know from the Government whether it proposes to form a panel of reputed Chartered Accountants, and conduct the inspection of the accounts of these companies? Secondly, I would like to know whether the Government is bringing forward any amendment by which the loans granted by various financial institutions and the Government could be converted into equity shares? Thirdly, I would like to know whether the Government would like to disclose various heads of expenditure of the industrialists who make production? I raise these three questions under the Companies Act.

[*English*]

SHRI RANGARAJAN KUMARAMANGALAM: Let me first bring to the notice of the House that the question really deals with two critical points. One is for curbing of economic crimes what are the radical changes that the Government proposes to bring in the Companies Act and the Foreign Exchange Regulation Act.

The question the hon. Member has asked, in fact, goes into the question whether it is an economic crime, as what he is refer-

ring to, or not. I am sorry to say, that I will not really put it in the scope of economic crime even if one goes to the larger definition of white collar crime, the question of disclosure, as to how much investment has been made and how much loan has not been paid and so on. But still, I would like to inform the hon. Member that though it may not be within the scope of the question, today the accounts are being audited by independent statutory auditors and it is in accordance with certain accounting standards. These audited accounts are sent to shareholders every year. We have also further now taken steps and notified that in the prospectus that is given for the purpose when issuance of shares takes place, the disclosure about pending legislations in the matter of economic offences has also to be made by companies, so that any person who is investing in a company would know whether that company has in any manner violated the law.

[*Translation*]

SHRI RAMASHRAY PRASAD SINGH: Mr. Speaker, Sir, the Government of India suffers a loss of about Rs. 30,000 crore annually on account of Hawala market. How does the Government propose to check it? The Government says that it is considering it. When the Government cannot check the outflow of money from the country to other countries through legislation, by which law it can check inflow of money from foreign countries to this country. Will the Government move any such amendment? In 1990 a U.N. conference (on multi-national companies) was held in Delhi in which a report on multi-national companies was presented. At that time an agreement had been signed. Now foreign exchange is being embezzled in violation of the said agreement. Is the Government proposing to make any law to check it? Agreements are signed time and again about technology. Will the Government enact any law so that foreign exchange is not misused.

[*English*]

SHRI RANGARAJAN KUMARAMANGALAM: Sir, I must bring to your notice that this question is in two parts, one dealing with Companies Act, which comes under my Department, and the other dealing with FERA. The official has really looked into this. Now fortunately the Finance Minister is here. With your permission, may I request him to reply to this supplementary question?

MR. SPEAKER: That is not proper. What is pertinent to you, you can reply.

SHRI RANGARAJAN KUMARAMANGALAM: It does not pertain to me. I can only mildly say, as per the information that is available at my disposal, that the whole foreign Exchange Regulation Act is under review and definitely the matter of *hawala* transaction is also paid attention to.

SHRI MANORANJAN BHAKTA: Mr. Speaker, Sir, I would like to know from the hon. Minister, before deciding the amendment to the Companies Law or the FERA whether the Government has undertaken any expert study on this issue. And if there is any, then what are its recommendations and also what are the recommendations the Government is going to implement?

SHRI RANGARAJAN KUMARAMANGALAM: Sir, with regard to the Companies Act, I am happy to inform the hon. Member, through you, Sir, that we have not only had expert study on the Companies Act in total but we have had workshops by Chartered Accountants in the Chartered Accountants' Institute, the company Secretaries' Institute, the Cost Accountants' Institute. All of them have had workshop, analysed the Companies Act, given their specific recommendations.

We have taken all those recommendations into consideration. The Department has actually sat not only with them but also with FICCI, ASSOCHM and I am sure it will surprise many Members on the other side, even the trade unions were consulted. It is only after consulting all of them, we have come to the stage where we are consolidating the re-codification of the Companies Law.

With regard to the FERA.... (*Interruptions*)

SHRI MANORANJAN BHAKTA: At are the salient recommendations?

SHRI RANGARAJAN KUMARAMANGALAM: At the moment, it will be fair for me to say that they have insisted and said that a lot of unnecessary formalities which are provided for in the Companies Act would be removed. We would like to bring in a lot of automisation in the matter of approvals. We have also strengthened the investor protection. We are increasing the penalties with regard to violations in a major way. Instead of mere fines, we are also bringing in penal provisions. These are generally the salient features on which we are going. We are definitely reducing the bulkiness of the Act....(*Interruptions*)

SHRI SOMNATH CHATTERJEE: Nothing has been done. It is only on paper...(Interruptions)

SHRI RANGARAJAN KUMARAMANGALAM: I would disagree with that . If you want I can give you the figures, where thousands of prosecutions have been launched....(*Interruptions*)

MR. SPEAKER: Anyway , this is going to come up for discussion later.

SHRI RANGARAJAN KUMARAMANGALAM: This is definitely going to come up for discussion when the Bill is moved.

With regard to Foreign Exchange Regulation Act, the process of consulting experts is on and we shall definitely consult experts.

Firing by Pakistani Troops

*23 SHRI UDAYSINGRAO GAIKWAD:
SHRI BHAGWAN SHANKAR RAWAT:

Will the Minister of DEFENCE be pleased to state:

(a) whether there has been continuous provocation from Pakistani army recently and many a time the Indian troops were fired at along Indo-Pak border in J & K, Rajasthan and Punjab;

(b) whether meetings of the Area Commanders of both the countries were held to ease the situation; and

(c) if so, the out-come thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS AND MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI S. KRISHAN KUMAR): (a) There have been several instances of unprovoked firing by the Pakistani Army along the LOC in J & K. As regards the International Border in Punjab, Rajasthan and Gujarat, while there has been no instance of Pak Army firing, Pak Rangers resorted to fire on BSF positions on a number of occasions during the last three months in a bid to push through extremists into India through the Punjab border.

(b) and (c). There have been a number of meetings between Indian and Pakistani Commanders, at various levels, in J & K, in September and October 1991. The Director General Military Operations of both countries have also been maintaining telephonic contact with each other. Consequently, since the middle of October there has been some decrease in the volume of fire exchanged along most of the LOC.

SHRI UDAYSINGRAO GAIKWAD: It has been admitted by the hon. Minister that there have been several firing incidents on the Indo-Pak border. I would like to know from the hon. Minister that during the firing while pushing the extremists into the Indian border, how many persons have been killed, how many have been injured and how many have been arrested as on date.

MR. SPEAKER: Statistics can be supplied to you in writing by the Minister.

SHRI UDAYSINGRAO GAIKWAD: It